FINANCING OF THE CENTRAL GOVERNMENT IN JANUARY 2024

1. Government debt data

The debt of the central government increased by HUF 2,064.5 billion in January due to the following reasons:

- **The first increasing factor** is the net foreign currency issuance of HUF 1,519.3 billion, which finances the deficit and increased the foreign currency deposit, and also increased the debt of the central government.
- **The second – increasing – factor** is the net forint issuance of HUF 425.1 billion, which finances the deficit of the central government budget.
- **The third – also increasing factor —** is the depreciation of the forint that increased the HUF value of the foreign currency debt by HUF 100.5 billion.
- **The fourth – additional increasing – factor** is the change of the foreign currency exchange rates and other factors that increased the mark-to-market deposits placed at GDMA by HUF 19.5 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2024.

Central government gross debt and debt transactions in 2024

	31.12.2023		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.01.2024		change
	Debt stock (preliminary data)	Breakdown	January				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	**36,888.034**	***72.5%***	**1,050.051**	**624.974**	**0.000**	**425.077**	**37,313.110**	***70.5%***	***-2.03%***
1.1. Loans	**868.220**	***1.7%***	**0.000**	**20.084**	**0.000**	**-20.084**	**848.137**	***1.6%***	***-0.10%***
1.1.1. Foreign	868.220	*1.7%*	0.000	20.084	0.000	-20.084	848.137	***1.6%***	***-0.10%***
1.1.2. Domestic	0.000	*0.0%*	0.000	0.000	0.000	0.000	0.000	***0.0%***	***0.00%***
1.2. Government securities	**36,019.813**	***70.8%***	**1,050.051**	**604.890**	**0.000**	**445.160**	**36,464.974**	***68.9%***	***-1.92%***
1.2.1. Bonds	24,058.876	*47.3%*	281.605	98.884	0.000	182.721	24,241.597	***45.8%***	***-1.50%***
1.2.2. Discount T-bills	1,883.770	*3.7%*	388.343	346.448	0.000	41.895	1,925.665	***3.6%***	***-0.07%***
1.2.3. Retail securities	10,077.167	*19.8%*	380.102	159.558	0.000	220.544	10,297.712	***19.5%***	***-0.36%***
2. Foreign currency denominated debt	**13,678.314**	***26.9%***	**1,522.356**	**3.021**	**100.509**	**1,619.845**	**15,298.158**	***28.9%***	***2.01%***
2.1. Loans	**2,670.009**	***5.2%***	**71.324**	**0.000**	**17.113**	**88.436**	**2,758.446**	***5.2%***	***-0.04%***
2.1.1. Foreign	2,670.009	*5.2%*	71.324	0.000	*17.113*	88.436	2,758.446	***5.2%***	***-0.04%***
2.1.2. Domestic	*0.000*	*0.0%*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	***0.0%***	***0.00%***
2.2. Government securities	**11,008.305**	***21.6%***	**1,451.033**	**3.021**	**83.396**	**1,531.408**	**12,539.713**	***23.7%***	***2.05%***
2.2.1. Issued abroad	10,535.449	*20.7%*	1,441.195	1.078	80.467	1,520.584	12,056.032	***22.8%***	***2.06%***
2.2.1.1. Foreign currency bond	10,357.080	*20.4%*	1,441.195	1.078	79.390	1,519.507	11,876.587	***22.4%***	***2.08%***
2.2.1.2. ECP program	178.369	*0.4%*	0.000	0.000	1.076	1.076	179.445	***0.3%***	***-0.01%***
2.2.2. Issued in Hungary	472.856	*0.9%*	9.838	1.943	2.930	10.825	483.680	***0.9%***	***-0.02%***
Total	**50,566.347**	***99.4%***	**2,572.407**	**627.995**	**100.509**	**2,044.921**	**52,611.269**	***99.4%***	***-0.01%***
Other debt	298.836	*0.6%*	586.980	568.364	0.933	19.548	318.385	***0.6%***	***0.01%***
Total central government debt	**50,865.184**	***100.0%***	**3,159.387**	**1,196.359**	**101.442**	**2,064.470**	**52,929.653**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 1,619.8 billion in 2024 and amounted to HUF 15,298.2 billion at the end of January 2024. The share of foreign currency denominated debt within the total debt increased from 26.9% to 28.9% in 2024.

The increase is mainly due to the foreign currency bond issuances in January. On 3 January 2024, Hungary's first international bond issuance this year was made in the amount of USD 2.5 billion (HUF 863.6 billion) with 12-year maturity, followed by Hungary's third EUR Green Bond issuance on 18 January in the amount of EUR 1.5 billion (HUF 577.6 billion) with a maturity of 5.5-year. Foreign currency securities issued under the ECP (Euro Commercial Paper) programme amounted to USD 500 million (HUF 179.4 billion) at the end of January. The exchange rate depreciation further increased the share of foreign currency debt.

The forint denominated debt increased by HUF 425.1 billion to HUF 37,313.1 billion. The share of HUF-denominated debt reached 70.5% of the total debt, while in December 2023 this proportion was 72.5%.

The stock of retail securities increased by HUF 220.5 billion since the end of 2023 to HUF 10,297.7 billion at the end of January. The portfolio of Premium Hungarian Government Security with a maturity of more than one year increased by HUF 89.4 billion, thus amounted to HUF 7,082.1 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 12.9 billion and amounted to HUF 886.1 billion at the end of January. The stock of the 1-year Government Security increased by HUF 66.7 billion to HUF 640.7 billion at the end of January. The stock of the Hungarian Government Security Plus (dematerialised and printed) decreased by HUF 21.3 billion this year and amounted to HUF 886.0 million at the end of January.
In January, the new 3-year fixed-rate Fixed Hungarian Government Security was introduced, that amounted to HUF 43.6 billion at the end of the month.

The volume of non-resident holdings of Hungarian government securities increased by HUF 1,095.1 billion to HUF 6,969.4 in January. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 6,914.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 54.5 billion, that represented only 0.8% of total non-resident holdings. The duration of the non-resident stock was 5.8 years at the end of January 2024.

In order to reduce counterparty risk associated with the swap transactions concluded by GDMA, so-called marked-to-market deposits are being placed as collateral covering the net value of the swap positions. Such deposits placed at GDMA are counted as part of the government debt as ‘other obligations’. During the first month of the year marked-to-market and other deposits increased by HUF 19.5 billion and reached HUF 318.4 billion (EUR 0.8 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 1.6 to 1.3. The bid-to-cover ratio of T-bond auctions decreased from 4.7 to 3.8 in January.

The average yield of the last 3-month Discount Treasury Bill auction in January was 6.91%, 44 basis points higher than in the previous month and the 6-month Treasury bill was 6.84%, 53 basis points higher than at the end of December. The average yield of the last 12-month Discount Treasury Bill auction in January was 6.85%, 63 basis points higher compared to December.

The average yield of the most recent 3-year government bond auctions in January was 6.08% and 44 basis points lower compared to December. The average yield of the 5-year government bond auction in January was 5.85%, 13 basis points lower than in December. The average yield of the latest 10-year government bond auction in January was 6.19%, 12 basis points higher than in the previous month. The average yield of the last of 20-year government bond auction was 6.09%, lower by 125 basis points compared to the last September’s average yield.

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